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DOCKET FILE 95-116

ORIGINAL

October 25, 1996

VIA HAND DELIVERY

Mr. William F. Caton  
Secretary  
Federal Communications Commission  
Room 222  
1919 M Street, N.W.  
Washington, D.C. 20554

RECEIVED  
OCT 25 1996  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Re: Ex Parte Meeting on Implementation of QoR and Interim  
Local Number Portability (LNP) -- CC Docket No. 95-116

Dear Mr. Caton:

In response to staff requests regarding interim LNP cost allocation and the impacts of QoR, MCI submits the following information.

Michigan Public Service Commission Order

Enclosed is a copy of the Michigan Public Service Commission's (MPSC's) *Order Granting in Part and Denying in Part Motion For Clarification and Rehearing (Order)*. (Exhibit 1). In the Order, the MPSC limited the access charges that Ameritech Michigan could charge IXCs when terminating toll traffic using direct inward dialing and remote call forwarding to only those that would have been appropriate had numbers not been ported.

AT&T and MCI Comments on Pacific Bell's and GTE's Cost Recovery Study

The enclosed *Comments of AT&T Communications of California, Inc. (U 5002 C) and MCI Telecommunications Corporation on the Supplemental Local Number Portability Reports To The California Public Utilities Commission (Joint Comments)* (Exhibit 2) are directed at QoR technical evaluation and scoring, and at the Pacific Bell and GTE implementation schedules and cost information. Note that minor portions of the Comments and some of the exhibits have been redacted as they contain analyses of data that Pacific Bell (Pacific) designated as confidential in the California proceeding.

I draw your attention to the litany of flaws and inconsistencies identified in the Comments at pages 7-12 regarding the Pacific study comparing LRN and QoR costs. Throughout its study, Pacific used assumptions that were designed to inflate LRN costs over QoR costs, and/or confuse comparisons by including irrelevant data. Three of these assumptions are of particular note. First, the Comments note at page 11 that Pacific used .3 erlangs (a measure of engineering capacity) for engineering of their A links. Normal and routine engineering such as TR905 and ITU standards

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use .4 erlangs. Use of .3 erlangs increases the required number of SCPs and A links, and thereby inflates the costs, disproportionately for LRN. Second, the Comments note at page 9 that Pacific incorrectly included costs of "real time" switch impacts for LRN only, and not for QoR. Although Pacific did not describe its methodology for calculating real-time impacts in sufficient detail to permit analysis, it was clear that the costs that were included for LRN were based on the highest real-time data available from a single switch vendor. Third, the Comments note at page 10 that Pacific built in enough capacity in its network to accommodate failure of the largest IXC's network, allowing Pacific to perform database queries that would otherwise be performed by AT&T. Again, this results in an overstated need for SCPs and A links, and therefore increased costs.

Please note that Exhibit 3 to the Comments analyzes Pacific's cost study and makes adjustments in accord with the points described above (*e.g.*, setting erlang level at .4, removing real-time costs which had only been included for LRN, and not sizing for queries for the largest interLATA carrier). The result is that the relatively minimal cost savings Pacific demonstrated with its "loaded" study vanish altogether -- in fact, LRN is shown to be less expensive than QoR at all but the lowest levels of porting.

Finally, I draw your attention to the portions of the Comments at pages 13-15 that analyze similar GTE cost comparisons. That analysis highlights numerous infirmities in the GTE study, but reveals that even without any adjustments, the QoR savings claimed by GTE are not significant. GTE's own conclusions in this earlier cost analysis are inexplicably inconsistent with a more recent analysis GTE provided to the Commission in an attachment to an *ex parte* letter filed October 21, 1996. (Exhibit 3).

#### SSN Reliability Concerns

You also asked us to provide more detail regarding MCI's concerns about SS7 reliability with QoR vs. LRN only. The most basic way to describe this concern is that it is easier to engineer a "known" than an "unknown". With LRN, query volumes can be easily estimated based on the fact that call volumes by type of call are parameters the service providers deal with currently. On the other hand, since QoR depends on the number of ported customers and their calling characteristics, none of which are known, service providers will have to engineer their networks based on estimates of unknown quantities.

In an LRN (without QoR) environment, the inter-switch, intra-network traffic is a known item and is relatively stable over time and the only relevant variable is the rate at which NXXs are defined as "portable." When a switch's NXX is made portable, all traffic from all other LNP-capable switches to that NXX invokes LNP queries. This is a significant level of traffic that is relatively stable, is a call volume which has existed for some time, and has therefore been dealt with at a voice trunk capacity engineering level. As a result, projections of LNP query load are relatively easy to accurately predict if the schedule for conversion of offices/NXXs is known.

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Obviously, this variable of NXX conversion is clearly known by the network performing the engineering function.

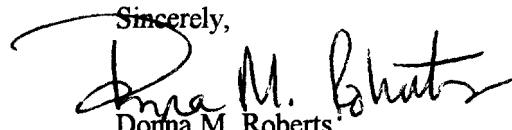
On the other hand, with QoR, while the load is substantially smaller in the early years than without QoR, it is much harder to project. This is because in addition to being affected by the cutover of switches to LNP capability, the projection also must take into account the growth of ported numbers since the QoR approach involves making queries only when calls turn out to be bound for a ported number. The loads, albeit small, will be rising rapidly since the universe of stations to which portability is available will be rising rapidly and is compounded by increased penetration levels/NXX. Since the projections will have no historical basis, only data collected will indicate whether the projections are accurate. If they turn out to be inaccurate, the network will likely be "under-engineered" which would lead to call failures. Since it takes time to order and install SS7 links, SCPs and STPs, this condition could exist for months rather than hours or days.

In sum, without QoR, the SS7 loads increase in large and predictable steps based solely on the NXX roll-out schedule. With QoR, the SS7 loads are smaller but totally unpredictable because the number of calls requiring queries will be based on the success of competitors in acquiring ported customers and the characteristics of customers that call those customers. Consequently, it is NOT easier to administer SS7 network capacity when QoR is involved, and the result could be a reduction in network reliability.

I hope that this provides you with the information you require. Please do not hesitate to call me if you have any questions or require further supplementation.

Thank you for your attention and consideration.

Sincerely,



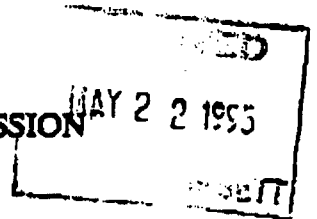
Donna M. Roberts  
Senior Attorney

Enclosures

cc: Melinda S. Littell, Esquire  
Susan E. McMaster, Ph.D  
Jeannie Su, Esquire

# EXHIBIT 1

**STATE OF MICHIGAN**  
**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**



\*\*\*\*\*

In the matter of the application of )  
 CITY SIGNAL, INC., for an order )  
 establishing and approving interconnection )  
 arrangements with AMERITECH MICHIGAN. )

Case No. U-10647

At the May 18, 1995 meeting of the Michigan Public Service Commission in Lansing,  
 Michigan.

**PRESENT:** Hon. John G. Strand, Chairman  
 Hon. Ronald E. Russell, Commissioner  
 Hon. John L. O'Donnell, Commissioner

**ORDER GRANTING IN PART AND DENYING IN PART**  
**MOTION FOR CLARIFICATION AND REHEARING**

On February 23, 1995, the Commission issued an order establishing transitional interconnection arrangements between City Signal, Inc., and Ameritech Michigan. In pertinent part, the Commission found that there should be a limit on the access charges Ameritech Michigan charges to interexchange carriers (IXCs) when terminating toll traffic using direct-inward dialing (DID) and remote call forwarding (RCF) as local number portability<sup>1</sup> options. Specifically, the Commission agreed with the Commission Staff's (Staff) position that Ameritech Michigan should only be able to bill an IXC for the tandem switching

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<sup>1</sup>Local number portability is the ability of a customer to change basic local exchange service providers while retaining his or her local telephone number, i.e., the local telephone number is "portable" between carriers.

rate, if it is applicable. On the other hand, City Signal should charge an DXC the local switching and end-office charges.

On March 27, 1995, Ameritech Michigan filed a motion for clarification and rehearing. City Signal and MCI Telecommunications Corporation (MCI) filed responses on April 17, 1995.<sup>3</sup>

Rule 403 of the Commission's Rules of Practice and Procedure, R 460.17403, provides that a petition for rehearing may be based on claims of error, newly discovered evidence, facts or circumstances arising after the hearing, or unintended consequences resulting from compliance with the order. A petition for rehearing is not merely another opportunity for a party to argue a position or to express disagreement with the Commission's decision. In reaching its decision, the Commission will have fully considered the record and all arguments. Unless a party can show the decision to be incorrect or improper because of errors, newly discovered evidence, or unintended consequences of the decision, the Commission will not grant a rehearing.

In its motion, Ameritech Michigan requests that the Commission reconsider limiting the company's access charge billing when it terminates DXC toll calls to ported numbers and adopt the access billing arrangements described in its motion. Ameritech Michigan reiterates that when an DXC call is routed directly from the DXC's switch to Ameritech Michigan's end-office, the access charges include rate elements for a monthly recurring transport charge, an entrance facility charge, a dedicated transport charge, a residual per-minute-of-use charge, a local switching charge, and a carrier common line charge. On the other hand, Ameritech Michigan

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<sup>3</sup>On May 8, 1995, Ameritech Michigan filed a response to MCI's answer. However, the Commission's Rules of Practice and Procedure do not provide for replies to responses and, therefore, Ameritech Michigan's response will not be considered.

submits that when a call is routed through one of its tandems, it levies the direct routed charges, plus local transport facility and local transport termination charges, as well as a tandem switching charge, to take the call from the tandem to the end-office. Ameritech Michigan represents that all of these access rate elements are designed to recover specific costs incurred by Ameritech Michigan or City Signal when terminating IXC toll traffic over ported numbers.

Ameritech Michigan submits that in preparing to implement the Commission's ruling regarding the billing of access charges, it determined that its billing system is unable to limit the assessment of access charges to tandem switch-related charges when combined with a number portability solution. Ameritech Michigan states that this occurs because toll calls from IXCs to ported numbers must first terminate at Ameritech Michigan's switch. Ameritech Michigan states that its switch must then generate a new call, that is, port the incoming call to its final destination at the alternative local exchange carrier's (LEC) switch. Ameritech Michigan submits that its access billing recording stops at its switch and no access information is passed on to the alternative LEC when the number is ported. The company states that it cannot identify the ported call as access, as compared to local, and the alternative LEC does not receive any information to classify the call to the ported number as anything other than local.

Ameritech Michigan goes on to state that when these limitations were discovered, it contacted City Signal to discuss this issue and was advised that the latter has the same difficulties in implementing these provisions of the Commission's order. As a result, Ameritech Michigan states, it has reached a tentative agreement with City Signal on how to bill IXCs for charges on toll calls to ported numbers.

Ameritech Michigan represents that it and City Signal have tentatively agreed that Ameritech Michigan will be the only party to bill terminating access to an IXC on numbers it ports to City Signal. This means that Ameritech Michigan will continue to bill the IXC for all of the access elements incurred as if the call had terminated to Ameritech Michigan's own end-user. In turn, Ameritech Michigan continues, when it determines the total number of minutes that it terminates to City Signal, it will estimate how many of those minutes were, in fact, access minutes that were terminated from an IXC over ported number services. Ameritech Michigan says that this percentage of access minutes coupled with the appropriate access rate elements will then be used to determine the amount of access revenue Ameritech Michigan collected from the IXCs that will be remitted to City Signal. According to Ameritech Michigan, this process will ensure that the IXCs are billed for all elements of access that are incurred in terminating an IXC's traffic, and the IXC will not be double billed. Ameritech Michigan states that both City Signal and Ameritech Michigan will receive revenues for the access functions they perform. Furthermore, Ameritech Michigan asserts that this arrangement is consistent with the process Ameritech Michigan and City Signal have agreed to use when rendering bills to IXCs for jointly provided access.

In its response, City Signal states that it generally supports the concept outlined in Ameritech Michigan's motion. However, City Signal further states that it and Ameritech Michigan have not yet worked out a mutually agreeable formula to estimate the access usage ported by either Ameritech Michigan or City Signal. City Signal agrees that Ameritech Michigan will be the only party, initially, to bill terminating access to an IXC on numbers Ameritech Michigan ports to City Signal. However, City Signal points out that this will not always be the case because at some point it will likely port numbers to Ameritech Michigan.



Similarly, City Signal goes on to state that Ameritech Michigan assumes that it will continue to be the only tandem provider providing direct connections to IXC's. Again, however, City Signal states that this may not always be the case because at some point it may be the tandem provider providing direct connections to the IXC's, in which case the process would be reversed. Finally, City Signal agrees that an estimate of access minutes will be necessary, which should be based on a formula agreed to by both parties.

In its response, MCI argues that Ameritech Michigan's motion misrepresents and misinterprets the Commission's February 23, 1995 order with regard to limiting the access charges Ameritech Michigan may assess IXC's when terminating IXC toll traffic to numbers ported to an alternative LEC such as City Signal. MCI explains that when DID or RCF is used as an interim means to port a number from Ameritech Michigan's network to an alternative LEC's network, the aggregate costs of terminating that call are greater than they otherwise would be because the DID and RCF options force Ameritech Michigan into every call path. MCI agrees with Ameritech Michigan that those costs would include entrance facility and direct transport to the Ameritech Michigan tandem, a local transport facility charge from the Ameritech Michigan tandem to its end-office, a local transport termination charge from the tandem to the end-office, and a residual charge per minute of use.

However, MCI states that, in the foregoing situation, the issue is who should pay for the additional costs. In MCI's view, Ameritech Michigan's proposal would require the IXC's to pay those costs, even though they have not received any additional value for the extra routing of their calls through Ameritech Michigan's network. According to MCI, IXC's that might otherwise experience access charge reductions by directly connecting to alternative LEC's will be precluded from realizing such a reduction if all of their traffic must go through Ameritech

**Michigan and be charged for additional switching and transport at Ameritech Michigan's rates.**

**MCI points out that the Commission clearly stated in its February 23, 1995 order that Ameritech Michigan should limit its access billing to IXCs for toll calls to ported numbers. As a result, MCI asserts that Ameritech Michigan should not be allowed to impose those additional costs on either IXCs or alternative LECs. In MCI's view, IXCs should not be negatively affected by interim portability measures, and alternative LECs are already greatly disadvantaged by the technical deficiencies of DID and RCF when used as portability options. Furthermore, MCI contends that if the IXCs and alternative LECs are required to bear the additional costs resulting from inefficient interim portability measures, Ameritech Michigan will not have any incentive to implement a portability solution that would eliminate the problem.**

**MCI goes on to argue that if the Commission permits Ameritech Michigan to charge IXCs full access rates for all toll calls, regardless of whether they ultimately terminate to a ported number, it should direct Ameritech Michigan to "settle up" with both IXCs and alternative LECs. According to MCI, the IXCs should be retroactively reimbursed for the difference between Ameritech Michigan's average terminating access rates and the alternative LEC's average terminating access rates. Additionally, MCI submits that Ameritech Michigan should also remit to the alternative LEC its full access charges based on estimated minutes of traffic. Furthermore, MCI contends that the Commission should require Ameritech Michigan to identify the method by which it will estimate the number of access minutes terminated to an alternative LEC from an IXC over ported number services. Finally, MCI asserts that if the Commission allows Ameritech Michigan to recover explicit rate elements, the company should**

be required to identify which access rate elements it will recover and be limited to recovering true costs incurred in its network.

In its February 23, 1995 order, the Commission agreed with the Staff that limiting the access charges Ameritech Michigan charges to IXCs when terminating toll traffic using DID and RCF as local number portability options would ensure that each LEC receives the appropriate portion of switched access charges with no double billing of IXCs. In contrast, the Commission concluded that no evidence was presented to support Ameritech Michigan's assertion that it continues to incur all of the same access costs that it would incur in terminating a call to its own customers.

Contrary to Ameritech Michigan's position, the Commission did not order that Ameritech Michigan and City Signal recover, exclusively through access charges, whatever costs they incur when terminating IXC toll traffic over ported numbers. Rather, certain costs were reflected in the DID and RCF rates, while other costs were reflected in the access rates themselves. The issue of allocating access revenue based on the cost each carrier incurs in terminating IXC toll traffic was not raised in this proceeding and, therefore, it was not addressed in the order. In short, additional access charges were not authorized by the Commission. Consequently, the Commission finds that this part of Ameritech Michigan's motion reargues its position presented in its briefs and exceptions, which the Commission rejected. Thus, this part of the motion merely expresses disagreement with the Commission's decision. Ameritech Michigan has failed to show the decision to be incorrect or improper because of errors, newly discovered evidence, or unintended consequences of the decision and, therefore, this part of Ameritech Michigan's motion should be denied.

On the other hand, the Commission finds that Ameritech Michigan should be permitted to bill the IXC's for all of the access charges they would have paid had numbers not been ported and remit to City Signal its share of those charges. The Commission emphasizes, however, that one bill will be permitted as long as the IXC's do not pay any additional access charges and City Signal is reimbursed its portion of the total charges, as specified in the February 23, 1995 order. Furthermore, the Commission agrees with MCI that, to the extent that Ameritech Michigan's and City Signal's access rates differ, the IXC's should be reimbursed for any overbilling. In that event, Ameritech Michigan should identify the method by which it will estimate the number of access minutes terminated to City Signal from an IXC over ported number services.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1991 PA 179, MCL 484.2101 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, R 460.17101 et seq.

b. Ameritech Michigan's March 27, 1995 motion for clarification and rehearing should be granted in part and denied in part.

THEREFORE, IT IS ORDERED that:

A. Ameritech Michigan's March 27, 1995 motion for clarification and rehearing is granted in part and denied in part.

B. Ameritech Michigan may bill the interexchange carriers for all of the access charges they would have paid had the numbers not been ported and remit to City Signal, Inc., its share

of those charges as specified in the February 23, 1995 order. City Signal, Inc., shall be reimbursed based on its access rates.

C. Ameritech Michigan shall identify the method by which it will estimate the number of access minutes terminated to City Signal, Inc., from an interexchange carrier over ported number services.

D. The interexchange carriers shall not be billed any additional access charges.

E. To the extent that the access rates of Ameritech Michigan and City Signal, Inc., differ, the interexchange carriers shall be reimbursed for any overbilling.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ John G. Strand  
Chairman

( S E A L )

/s/ Ronald E. Russell  
Commissioner

/s/ John L. O'Donnell  
Commissioner

By its action of May 18, 1995.

/s/ Dorothy Wideman  
Its Executive Secretary

## EXHIBIT 2

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on  
the Commission's Own Motion  
Into Competition for Local  
Exchange Service.

R.95-04-043

Order Instituting Investigation on  
the Commission's Own Motion  
into Competition for Local  
Exchange Service.

I.95-04-044

**COMMENTS OF AT&T COMMUNICATIONS  
OF CALIFORNIA, INC. (U 5002 C) AND MCI  
TELECOMMUNICATIONS CORP. ON THE  
SUPPLEMENTAL LOCAL NUMBER PORTABILITY REPORTS  
TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION**

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June 14, 1996

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## Exhibits

1	QoR Scoring Analysis prepared by AT&T
2A	Analysis of PacBell Submission to ALJ (proprietary)
2B	Analysis of PacBell \$1B LRN Study (proprietary)
3	Adjusted Analysis of PacBell cost study (proprietary)
4	LRN vs. QoR: Switch Usage Efficiency, prepared by AT&T
5	Excerpt from Pacific Comments on Overlay NPA Policy, April 16, 1996
6	Excerpt from GTE Comments on Overlay NPA Policy, April 16, 1996
7	Excerpt from GTE Notice of Ex Parte Communication dated May 6, 1996
8	California NPA Exhaust 1996 Final View, source: Bruce Bennett, California Code Administrator, dated 5/21/96
9	Excerpt from presentation of Frank Jimenez of Pacific Bell to California Telephone Association, May 21 & 22, 1996
10	Excerpts from Coalition comments on DID interim LNP, June 11, 1996.
11	Letter dated January 26, 1996 from Al Loots and Ron Hoffman of AT&T Network Systems (now Lucent Technologies) to Pat vanMidde
12	Assessment of Pacific's statements to the FCC on LRN and QoR, in the areas of Competitive Impacts, Costs, Technical Feasibility, and Industry Participation in Development.



AT&T Communications of California, Inc. ("AT&T") and MCI Telecommunications Corp. ("MCI") hereby submit these joint comments on the supplemental local number portability reports filed June 3-4, 1996 with this Commission.

### **1. Background**

On February 29, 1996, the California Local Number Portability Task Force submitted a Report to the Commission that presented two alternatives for selection of a permanent LNP architecture for California.

Recommendation One was the Location Routing Number ("LRN") call model that had already been selected in several states and that was supported by the majority of the Task Force participants. Recommendation Two was so-called "carrier choice," which, at the time of the Task Force Report, meant Pacific Bell's proposed Release to Pivot ("RTP") scheme.

Subsequent to the filing of the Task Force Report, Pacific suggested (outside the Task Force) that a method called Query on Release ("QoR"), which it characterized as a variation of RTP, held promise. In an April 2, 1996 ruling, ALJ Thomas Pulsifer ordered the Task Force to supplement its report with information on the relative costs of the two alternatives, and ordered Pacific Bell to provide additional information on QoR. At the April 17, 1996 prehearing conference designating issues to be addressed in Phase III of this proceeding, the ALJ directed the Task Force to develop a cost methodology that could be used to compare the relative costs of the

two proposals. On April 30, in connection with a pending decision on NPA relief planning, the ALJ requested the Task Force to determine the date for implementation of permanent LNP, one of the necessary prerequisites before an overlay can be considered as a competitively-neutral NPA relief option.

The Task Force met on May 2 and May 10, 1996, to develop a cost methodology for assessing the relative costs of the alternative proposals. Although the parties agreed upon some assumptions, there was no consensus on a common methodology.

At the May 2 Task Force meeting, Pacific announced that it had withdrawn its support for RTP, whereupon all other proponents of "carrier choice" also withdrew support for RTP. Pacific's initial suggestion that QoR could simply be explained as a variation of RTP was refuted by the statement of a Nortel representative that QoR could not be done without LRN. Pacific finally agreed to present QoR to the Task Force for evaluation using the same criteria to which other proposals had been subject, albeit five months late. On May 10, Pacific presented QoR to the Task Force<sup>1</sup> and, on May 24, the Task Force evaluated and scored QoR. On June 3, the Task Force filed its technical evaluation of QoR, and Joint Commenters filed LNP implementation

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<sup>1</sup> Unlike the December presentations, the QoR presentation was not videotaped for subsequent review. Pacific, which hosted the May 10 meeting, claimed there was no reason to tape the presentation, and arrangements for professional taping had to be canceled.

schedules. On June 3 and 4, AT&T, MCI, Pacific and GTE submitted public and proprietary cost information to the ALJ.

These comments are directed at the QoR technical evaluation and scoring, and at the Pacific and GTE implementation schedules and cost information.

**2. The Technical Evaluation and Scoring of QoR Demonstrate that LRN Remains the Best Solution to Implement LNP.**

Pacific's late proposal for QoR and the inequitable scoring by QoR proponents does not diminish LRN position of technical superiority. Pacific, the primary proponent of what it calls "carrier choice," chose not to present QoR to the Task Force in a timely manner. It thus prevented the Task Force from evaluating QoR at the same time and under the same circumstances that it evaluated LRN and all other LNP proposals. As a result of Pacific's inability or unwillingness to settle on a "carrier choice du jour" for evaluation, the Task Force was forced to take extraordinary steps to accommodate Pacific's delay and indecision.

The late date for QoR scoring provides no basis for direct comparisons with LRN scores recorded five months earlier, and served to benefit QoR. As a result of the passage of five months between the presentation of QoR and all other LNP proposals, the scoring for QoR vis-à-vis LRN on certain attributes does not so much reflect on QoR's technical capabilities as on industry progress made in LNP generally and, frankly, on the evident biases

of QoR proponents. This is clear from the attached analysis of the QoR scoring, and those details need not be repeated here.<sup>2</sup> Certain attributes are equally satisfied by LRN and QoR, and their scores should reflect this fact. Other attributes reveal the differences between QoR and LRN, and aggregate scores in these areas were lower for QoR, despite being scored higher by several evaluators. This is not a "sour grapes" observation, since LRN scores remained higher than QoR overall in any case. Moreover, suggestions by some Task Force participants, notably GTE and Pacific, that LRN should have been evaluated yet again are beside the point and underline the incumbents' interest in delaying LNP deployment at any cost.

While certain attributes are met equally by LRN or QoR, and thus provide no basis for favoring one over the other, QoR fails as a satisfactory number portability solution because of its inherent deficiencies in two key areas: routing and competitive neutrality. A satisfactory LNP solution should not require traversing another local exchange carrier's ("LEC's") network in order to complete calls, and should work with non-LNP-capable networks and switches. LRN satisfies this requirement; QoR does not.

Moreover, to be competitively neutral, calls to customers of competitive local carriers ("CLCs") should not be handled differently than calls to customers of incumbent LECs. Once again, LRN meets this requirement; QoR fails. Indeed, QoR may be likened to a hypothetical

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<sup>2</sup> See QoR Scoring Analysis prepared by AT&T, attached as Exhibit 1.

scenario in which all long distance calls would first be routed to AT&T, and then to the appropriate interexchange carrier. Obviously, such a scheme is neither efficient nor competitively neutral, and the other interexchange carriers would correctly cry foul.

**3. The Cost Information Presented by Pacific and GTE is Largely Flawed, Mainly Irrelevant, and Often Inconsistent, But In Any Case Does Not Favor QoR Over LRN.**

Unlike the implementation schedules on which Pacific and GTE collaborated, and which will be discussed subsequently, the LECs' cost information apparently did not benefit from a meeting of the minds. Both Pacific's and GTE's cost analyses fail in several respects: they contain data that is clearly incorrect, overly broad (i.e., not limited to a relative cost comparison or even to LNP generally), and internally inconsistent. They do reveal, however, that cost differences provide no basis for choosing between the proposals.

Following extensive discussion at the May 2 meeting, CACD staff representative John Gutierrez obtained clarification from the ALJ that the focus of the Task Force was a relative cost comparison (as most participants, save GTE and Pacific, already understood). Despite this clear direction, both GTE and Pacific have used this exercise to attempt to (1) show costs that are common to both LRN and QoR, and therefore not properly included in a relative cost comparison; (2) show costs that are not even related to LNP, and (3) argue for cost-recovery decisions as a necessary

step even before switch software is developed. These are blatant attempts to burden this record and delay LNP deployment. Indeed, because Pacific and GTE have not provided meaningful, coherent responses on the relative costs of QoR, they should be required to immediately resubmit their data in a responsive format. Minimally, they should be required to refrain from cost-recovery arguments; to remove cost elements that do not differentiate QoR and LRN; to explain cost elements which should be different, yet are not in their studies; to use the assumptions agreed upon within the Task Force (e.g., using a list price for vendor software, with a disclosed discount); and to make a meaningful comparison by using the same criteria to evaluate LRN and QoR. On all these counts, Pacific and GTE have failed to fulfill their responsibilities.

Nevertheless, despite their fatal flaws, taken together or separately, the Pacific and GTE cost information demonstrates one probably unintended result: both show no appreciable cost differential between QoR and LRN. Because the cost methodology apparently differs widely between the two incumbents, these comments will address them separately.<sup>3</sup>

A. Pacific Bell's Cost Study

Despite the clear instructions to the Task Force, and the Commission's previously stated intent to address cost recovery in Phase III of this

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<sup>3</sup> Pacific in particular chose to ignore any of the assumptions and methodology which the Task Force had considered at its May 2 and May 10 meetings.

proceeding, Pacific has used this exercise to demand that cost-recovery issues be resolved before making investments. Pacific requests immediate recovery of switch vendor costs, and the establishment of a memorandum account for every other expenditure, until cost recovery is resolved. The Commission should recognize this as yet another stalling tactic and ignore Pacific's misplaced demands.

A proprietary analysis of Pacific's cost study will be separately submitted under seal.<sup>4</sup> In addition, on April 8, 1996, the California Telecommunications Coalition served a data request on Pacific Bell in connection with Pacific's statements to the FCC that LRN will cost Pacific approximately \$1 billion over three years. Pacific responded to the Coalition on May 9, 1996. An analysis of the Pacific response is attached as Exhibit 3, and is also filed under seal.<sup>5</sup>

The observations which follow do not rely on Pacific's proprietary data, or have been redacted where references are made to Pacific's proprietary data.

Pacific's study has confused a clear comparison by including all sorts of alleged costs that are common to both proposals, e.g., Operator Services,

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<sup>4</sup> Because Exhibit 2A, Analysis of PacBell Submission to ALJ, contains data which Pacific holds to be proprietary, it is provided under seal and will be available only to parties who have executed an appropriate nondisclosure and protective agreement with Pacific Bell. Public versions of this filing will contain a redacted version of Exhibit 2A.

<sup>5</sup> Exhibit 2B, Analysis of PacBell \$1B LRN Study, is provided under seal and subject to same terms as Exhibit 2A. See footnote 4, *supra*.

Number Assignment, Billing, and VAS System.<sup>6</sup> These costs must be excluded from any relative cost comparison.

Nowhere is this cost inflation more obvious than in Pacific's inclusion of "churn"--the cost to Pacific of losing and gaining customers. (Pacific's Exhibit 3, pp. 5-7). Obviously, this is not an LNP related cost, but Pacific includes it to show as much as \$344 million (at 40% porting) which is falsely attributed to LNP.

Without divulging the actual numbers, Pacific's Exhibit 4, Total Economic Analysis Chart, shows System Development equal for all scenarios (LRN, QoR at 20% porting, QoR at 30% porting and QoR at 40% porting). It is unclear what Pacific means by "System Development." If this means switches, then "equal for all scenarios" is incorrect. In any case, "equal for all scenarios" means no difference in relative costs, so Pacific should have excluded this System Development item.

The same Pacific Exhibit 4, Total Economic Analysis Chart, shows the largest capital outlay in 1997, followed by negligible expenditures in subsequent years. This indicates that Pacific clearly did not spread its investment according to the Task Force agreed-upon roll-out schedule, but "front-loaded" the entire investment. Moreover, this expenditure makes no

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<sup>6</sup> Despite Pacific's inclusion of a handy acronym guide which purports to list systems impacted by LNP (Pacific's Exhibit 2), these commenters could find no definition of "VAS System" in Pacific's voluminous filing. However, since this item appears to be identical for QoR and LRN, it should properly be excluded from a comparison of relative costs.



sense when evaluated in light of Pacific's suggestion for LNP deployment at the end of 1998.

Likewise, at Pacific's Economic Calculations papers, Assumption 6 suggests that every NPA-NXX will be portable in the first year. This is logically at odds with its proposed schedule, and clearly incorrect in any case.

Pacific claims at its public Exhibit 3 that "[r]eal time impacts on the switches still must be identified" (Pacific Exhibit 3 at 4), and "Real time impacts on switches not yet available" (Pacific Exhibit 3 at 5-7). Despite these oft-repeated statements, Pacific managed to calculate real-time impacts in its proprietary Exhibit 4, Economic Assessment Matrix. It performed this calculation, however, in the most egregiously self-serving fashion, in that it calculated the associated expense only for LRN, and then apparently using only information supplied by Nortel. Thus, not only was this expense included only for LRN, and omitted entirely for QoR; it was calculated using what was apparently the highest, real-time data received from any vendor. The implication is clear, and the remedy is obvious. Pacific was evidently not interested in providing a meaningful comparison, but chose to "stack the deck" against LRN. Pacific should have either calculated the cost of real-time impact for both proposals, clearly showing its methodology for performing the calculation, or the Commission must not consider this cost for either proposal.